

I. YEAR'S HIGHLIGHTS

A. Gross Handle

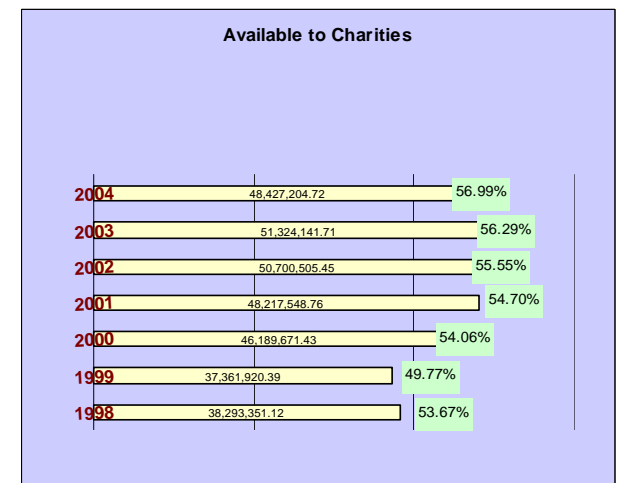
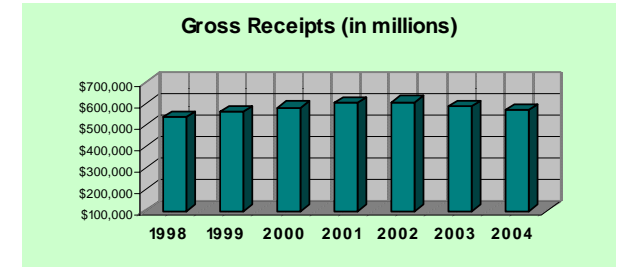
In 2004, Kentucky experienced a decrease in charitable gaming gross receipts. The “handle,” which is the money taken at the door before payouts or expenses are deducted, totaled **\$570,008,970.82** in 2004, a decrease of \$18 million from 2003. This decrease can be related to changes in the economy. The total payout statewide was **\$478,679,095.46**. The payout averages **84** percent of the statewide gross handle.

B. Retention Percentage

After expenses, the charities had **\$48,427,204.72** available for charitable purposes, **\$2,896,936.99** less than last year. More importantly, the percentage of total dollars wagered that is available to (retained by) the charities was **56.99 percent**, up from **56.29 percent** in 2003.

C. Attendance

The reported statewide attendance for 2004 was **5,102,667** individuals, a decrease of 210,685 from last year. The five largest gaming counties in attendance are: Jefferson, Simpson, Whitley, Bell and Boyd. These counties accounted for **54 percent** of the attendance statewide. The six largest gaming counties in gross receipts are: Jefferson, Simpson, Boyd, Whitley, Kenton and Fayette. Of the 120 counties in Kentucky, 91 have some form of charitable gaming.



D. Comparison to Other States

Kentucky has consistently ranked within the top six states in gross receipts (handle) in charitable gaming. For 2004, according to the National Association of Fundraising Ticket Manufacturers (NAFTM), Kentucky was fourth in gross receipts. Other states in the top five were Minnesota, Washington, Texas, and Indiana. Minnesota was far and away the leader with more than \$1.4 billion wagered, followed by Washington with more than \$870 million and Texas with more than \$602 million. Kentucky wagered over \$570 million and Indiana wagered nearly \$540 million in 2004.

II. CHARITABLE ORGANIZATIONS/TYPES OF LICENSEES

A. Types of Charities

Charitable gaming licensees include churches, schools, band and athletic boosters, community sports programs, veterans, volunteer fire and rescue departments, animal rights groups, groups that support the arts, history, or museums; and fraternal and civic groups such as Optimists, Ruritan, Jaycees, Kiwanis, Rotary, Elks, Moose, Lions, Eagles, and police.

The single largest group of licensees is Catholic charities, churches, schools and men's groups. This accounts for approximately one-third of all licensees. The next largest group is associated with the military. Together, Catholics and veterans account for approximately half of all licensees. Other significant categories of licensees are volunteer fire departments, school booster groups and arts funding.

2002 TOP 5 STATES BY GROSS RECEIPTS

STATE	GROSS RECEIPTS
Minnesota	\$1,402,373,000
Washington	\$870,279,763
Texas	\$602,907,777
Kentucky	\$570,008,971
Indiana	\$538,824,604

- **Kentucky has consistently ranked among the top six states in gross receipts in charitable gaming.**
- **One-third of charitable gaming licensees are Catholic charities (churches, schools or men's groups).**
- **Organizations associated with military veterans make up the second largest group of licensees.**

At the end of 2004, there were 739 licensed charities and 698 exempt organizations in Kentucky. The OCG issued 264 charity fundraising event licenses (fairs, festivals, etc.), and 216 special limited charity fundraising event licenses (casino nights).

B. Games

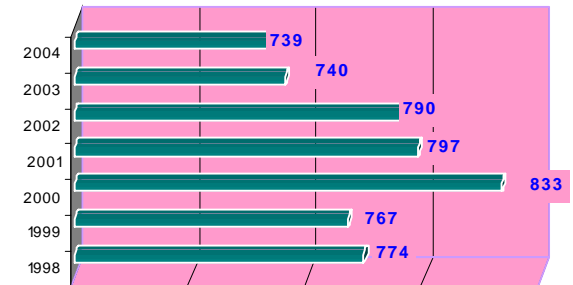
A charitable gaming license allows charities to play bingo, sell charity game tickets or pulltabs, hold raffles, have casino nights, and have school and church festivals and picnics, among other things. Of the charities licensed at the end of the year, 247 ran two bingo sessions per week and 214 ran one bingo session per week. The remaining 278 conducted a raffle, sold pulltabs or had charity fundraising events only.

C. Charities' Gross Receipts

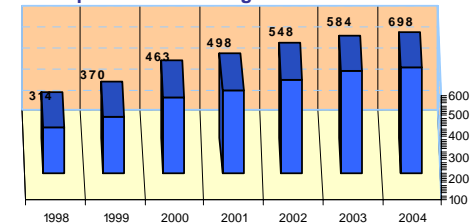
Of the 812 charities that reported in 2004:

- 1) Nine had no gross receipts;
- 2) Total organizations with gross receipts less than \$100,000: 290
 - Gross receipts less than \$1,000: 48
 - Gross receipts \$1,000-\$9,999: 46
 - Gross receipts \$10,000-\$49,999: 136
 - Gross receipts \$50,000-\$99,999: 60

Charitable Gaming Licenses Issued



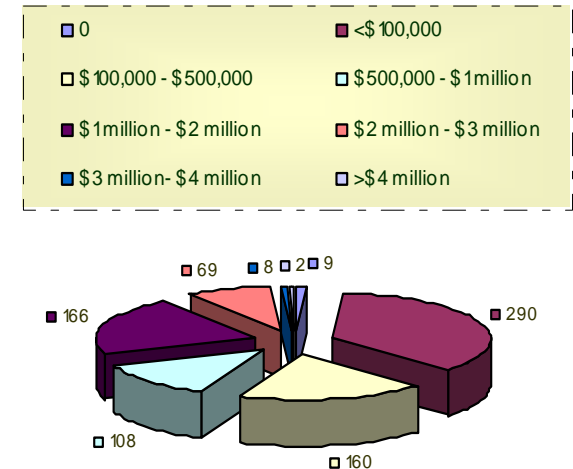
Exemption Acknowledgements Issued



- 3) Total organizations with gross receipts of \$100,00 to \$499,999: 160
 - Gross receipts \$100,000-\$199,999: 66
 - Gross receipts \$200,000-\$299,999: 32
 - Gross receipts \$300,000-\$399,999: 26
 - Gross receipts \$400,000-\$499,999: 36
- 4) Total organizations with gross receipts of \$500,000 and \$999,999: 108
 - Gross receipts \$500,000-\$599,999: 24
 - Gross receipts \$600,000-\$699,999: 22
 - Gross receipts \$700,000-\$799,999: 28
 - Gross receipts \$800,000-\$899,999: 17
 - Gross receipts \$900,000-\$999,999: 17
- 5) Total organizations with gross receipts \$1 million-\$1.9 million: 166
- 6) Total organizations with gross receipts \$2 million-\$2.9 million: 69
- 7) Total organizations with gross receipts \$3 million-\$3.9 million: 8
- 8) Total organizations with gross receipts over \$4 million: 2

Factoring out charities that reported no gross receipts, 558 charities had receipts less than \$1 million and 245 charities had receipts \$1 million or more. The average gross receipts per charity were **\$702,033.35**.

How Much Do Charities Make?



D. Expenses

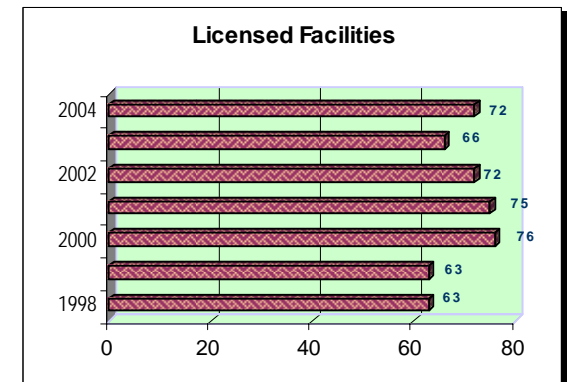
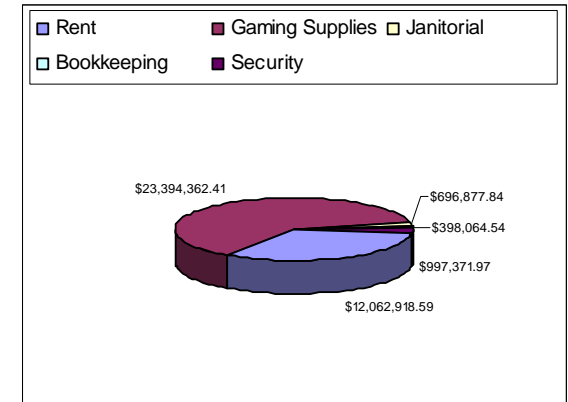
Total expenses for charities statewide for 2004 were \$39,053,402.36. Of that total, over \$12,062,918.59 was facility rent. The average facility made \$167,540.54 strictly from rental of the facility. This accounts for 31 percent of the expenses the charities paid.

Charities paid distributors \$17,836,786.58 for gaming supplies, i.e., bingo paper, pulltabs and prizes, and \$5,557,575.83 for bingo equipment including flash-boards and monitors and card-minding devices. The total supply and equipment expense statewide was \$23,394,362.41. The average distributor grossed \$632,280.07 on Kentucky charities. This accounts for 60 percent of the expenses the charities pay. Together, facilities and distributors alone account for 91 percent of the expense dollar.

Remaining expenses include utilities, insurance, advertising, janitorial services, bookkeeping, security and trade organization dues. Statewide, charities paid \$997,371.97 for security, \$696,877.84 for janitorial services, and \$398,064.54 for bookkeeping.

E. Facilities

In 2004, the OCG licensed 72 facilities. This number does not include organizations which game at their own facility or facilities which do not have more than two organizations gaming.



F. Distributors

The OCG ended 2004 with 37 licensed distributors.

G. Manufacturers

In 2004, the OCG licensed 26 manufacturers, all of which were out-of-state businesses.

III. DIVISION OF LICENSING & COMPLIANCE

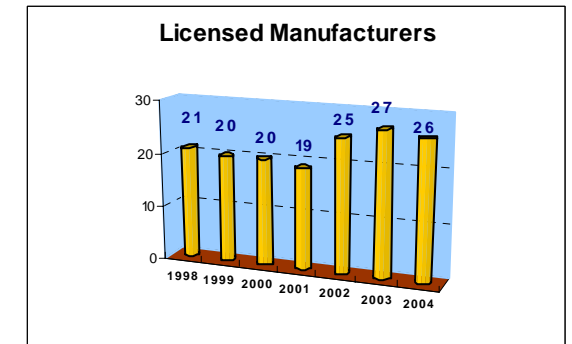
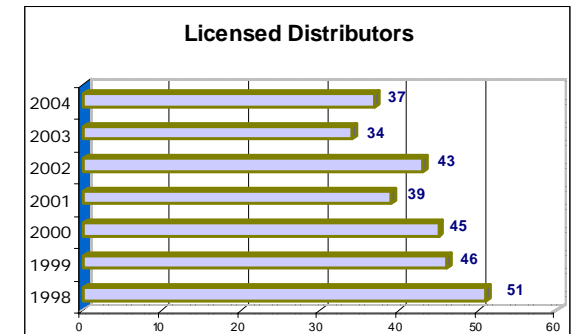
The Division of Licensing and Compliance has three branches: Licensing, Compliance, and Accounting.

A. Licensing Branch

The Licensing Branch reviews license applications for organizations, facilities, distributors and manufacturers, sends deficiency letters if required, refers applications for criminal history checks, reviews exempt status organizations, issues licenses and processes license changes requested by licensees.

B. Accounting Branch

The Accounting Branch reviews and reconciles quarterly report forms filed by organizations, facilities and distributors, processes fees for licensees, processes annual reports filed by exempt organizations and calculates the retention rate of organizations based on quarterly reports at the end of the calendar year.



C. Compliance Branch

Eleven charitable gaming compliance officers are located throughout the state. The compliance officers conduct on-site inspections of licensed charitable gaming activity to ensure adherence to applicable charitable gaming statutes and administrative regulations. In addition, compliance officers investigate complaints and perform background investigations on organizations. The Compliance Branch received 307 complaints and conducted 285 investigations in 2004.

IV. DIVISION OF ENFORCEMENT

The OCG has strong enforcement powers, including examining charitable gaming supplies and equipment and conducting in-depth audits and investigations. The Division of Enforcement has two branches, Audit and Investigations.

A. Audit Branch

The Audit Branch has nine auditors located throughout the state and is headed by a certified public accountant. Auditors conduct in-depth audits of charitable gaming activities to ensure that high standards of accounting, record keeping and reporting of charitable gaming receipts are met. Audits may lead to corrective measures on the part of a licensee and/or administrative action against the charitable organization's license.

Inspections are as follows:

1,060	Charitable Organizations
56	Facility Inspections
44	Special Limited Events
82	Charity Fundraising Events/Special Limited Events



The Audit Branch opened 12 new audits, issued 34 final audit reviews and 24 preliminary audit reviews.

B. Investigations Branch

There are five investigators located throughout the state. They investigate complaints with allegations of criminal wrongdoing, including theft, forgery, criminal possession of a forged instrument, promoting gambling, possession of a gambling device, participating in a continuing criminal enterprise, tax evasion and money laundering. Investigations can result in administrative action or civil and/or criminal action. The OCG often cooperates with federal prosecutors and federal law enforcement agencies, the Kentucky State Police and other local, state and federal law enforcement entities.

V. COUNTY-BY-COUNTY BREAKDOWN

The following pages include charts of the gross receipts, gross payouts, expenses, and attendance broken down by county.

The Investigations Branch opened 30 cases and closed 14, including cases from prior years.

ARRESTS- 14

INDICTMENTS- 15

CONVICTIONS- 6

Charges Include:

- 1) Diversion of charitable gaming funds over \$300**
- 2) Promoting gambling**
- 3) Possession of gambling device**
- 4) Complicity to failure to make required disposition of property over \$300**
- 5) Complicity to diversion of charitable gaming funds over \$300**
- 6) Falsifying business records**